

**Statement of Robert M. Couch, CMB
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Birmingham, Alabama
on behalf of
Mortgage Bankers Association of America
before the
Financial Services Committee
U.S. House of Representatives
On The American Dream Downpayment Act, HR 1276
April 8, 2003**

My name is Rob Couch. I am President and CEO of New South Federal Savings Bank in Birmingham, Alabama. Last year, our company of 636 employees originated more than \$1.5 billion in home financing throughout the southern half of the United States. While I am always proud to speak of the good work that New South Federal Savings Bank undertakes to promote homeownership, I am here today as Chairman Elect of the Mortgage Bankers Association of America (MBA), and it is in this capacity that I have the honor to testify before the committee about legislation that will have a positive impact on families throughout this nation.

MBA is a trade association representing approximately 2,600 member companies that are involved in all aspects of real estate finance. Our members include national and regional lenders, mortgage brokers, mortgage conduits, and service providers. MBA is comprised of residential mortgage lenders, both single-family and multifamily, as well as commercial mortgage lenders.

I am proud to speak to you today on behalf of the mortgage banking industry, a crucial part of this country's housing finance system. This system has, over the past several years, helped the American public achieve historically high rates of homeownership due, in no small part, to historically low interest rates and real estate finance professionals equipped with an extensive menu of lending options for nearly every segment of society.

MBA members have played a large role in the success of today's housing market. Our members have actively worked to develop the policies and programs that guide the sophisticated housing finance system the U.S. enjoys today. MBA members have worked diligently within this infrastructure to offer a wide diversity of financing products to match the wide-ranging needs of the American public. Never before in our nation's history have more people been served through the many available financing product options to achieve the American dream of homeownership.

The American Dream Downpayment Act will help keep the homeownership rate growing. This program will help many more low-income Americans join the ranks of homeowners and it will help build communities. HUD estimates that 40,000 more families per year will be able to become homeowners under this program. This program directly assists the needs of good borrowers who desire to become good homeowners, but who are constrained by the financial obstacle of the downpayment.

The benefits of the current confluence of low interest rates and the wide array of financing products, is well documented in the media. Almost daily, newspaper headlines appear across the nation concerning the housing industry and the bright spot it represents in the American economic landscape. While some pessimists are waiting for the housing bubble to burst, nationwide many thousands of people are working with lenders to purchase a home or to refinance existing mortgages.

More Americans than ever before are participating in the economic and social benefits of homeownership. The economic benefits to families of homeownership are well documented. Research is linking homeownership to improved outcomes for children, even when the education and financial status of the parents are held constant. Certainly, those working in the field of community development can attest to the transformational effects of homeownership on neighborhoods.

Yet, there is still much more to be done, as not everyone who could be a successful homeowner is able to buy a home today.

In 1999, the minority homeownership rate was 25.8 percent lower than the rate for non-Hispanic whites (Cityscape: A Journal of Policy Development and Research; Vol. 5, Number 2, 2001). This number was only a slight improvement over the 1994 gap of 26.8 percent. A recent report from the Bipartisan Millennial Housing Commission stated that the gap between lower income and high-income homeownership rates was more than 32 percent. Clearly, many Americans are not fully participating in the American dream of homeownership. There is much that policymakers can do to help close these gaps.

These disparities in homeownership represent challenges for Congress to continue to develop programs that would widen the circle of homeownership. We need to provide individuals who are on the edge of the American dream with the tools to make, what is often, the biggest wealth-building decision they will ever make.

The American Dream Downpayment Act represents an investment in these homeowners. It is an investment in the truest sense of the word. The federal resources used in fostering additional homeowners, will be returned many times over as families build wealth and communities fill with residents who have an ownership stake in their neighborhoods.

There are several reasons why potentially good borrowers may choose not to become homeowners, but a primary hurdle that stands in the way of many who want to become

homebuyers is the downpayment. The downpayment is a particular obstacle to minorities and low-income families. MBA believes offering downpayment assistance is the next logical step in reaching those who are not currently homeowners.

MBA is an active participant in the Administration's "Blueprint for the American Dream," a clearly delineated approach to addressing the obstacles to homeownership. The primary goal of this initiative seeks to make homeownership a reality for an additional 5.5 million minority families by the end of the decade. The American Dream Downpayment Act is specifically cited in the Blueprint, as a plan to address one of the primary obstacles to homeownership for minority families.

A recent study in the publication Housing Policy Debate indicated that whereas 2.8 million renters could achieve homeownership using a particular affordable mortgage product, this number jumped to 7.6 million when a downpayment voucher is added. The study concluded that "Because downpayment constraints present such a large barrier, it is not surprising that a downpayment voucher dramatically enhances home-buying capacity." ("The Potential and Limitations of Mortgage Innovation in Fostering Homeownership in the United State", *Housing Policy Debate*, Vol. 12 Issue 3, Fannie Mae Foundation).

I would also like to commend the Administration and Representative Harris for placing this initiative within the HOME Investment Partnership program. The HOME program with its successful track record dating back to 1992, has acquired, constructed, or rehabilitated more than 400,000 units of affordable housing. The strength of the HOME program lies in the fact that it empowers communities to identify needs in a locally created plan and then pursue solutions using federal funds matched by local resources. Using federal funds to address locally-identified affordable housing issues, as the HOME program does, is strongly supported in the Report of the Bipartisan Millennial Housing Commission, of which MBA has been an active partner.

One goal of the HOME program is to foster public/private partnerships, especially with lenders. In fact, participating jurisdictions are strongly encouraged to engage lenders in local programs. The American Dream Downpayment Act will provide a perfect vehicle for engaging lenders. Lenders already have a wide array of affordable mortgage financing products, which could leverage the HOME funds appropriated through the American Dream Downpayment Act. In this sense, when a 3% downpayment is funded under the HOME program, it will be leveraged by the 97% of private funding provided by the lender. This is more than a 20-to-1 leverage of public dollars with private dollars.

Again, I reiterate that this legislation represents true investment: An investment of a single HOME program dollar will prompt a lender's investment of twenty dollars more that will get a family into their own home and provide them with one of the strongest wealth-building tools available. The social return on this kind of investment is very powerful.

MBA was pleased to see funding for this program in the President's 2004 budget as additional funding above the HOME program's regular funding. We do not believe the current level of HOME funding should be diminished to fund this initiative. MBA supports the Administration's budget request and Representative's Harris' bill. Mr. Chairman, and members of the Committee, MBA looks forward to working with you to make this program a success.

Thank you for allowing me the opportunity to testify before the committee today.